

Message Text

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ACTION L-03

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 8822

C O N F I D E N T I A L LIMA 1415

FOR ARA - MR. FISHLOW; L/ARA - MR. GANTZ

E.O. 11652 GDS

TAGS: EINV, EIND, EMIN, PFOR, PE

SUBJECT: CERRO SALES PROBLEM

REF: 75 LIMA 10490

1. JORGE QUINTANA, DIRECTOR OF SALES, MINPECO, CALLED EMBASSY OFFICER FEBRUARY 12 TO INFORM US THAT HE HAS DISCUSSED CERRO SALES PROBLEM WITH ALBERTO RUBINA, MANAGING DIRECTOR OF MINPECO, UPON LATTER'S RETURN TO LIMA. QUINTANA REFERRED TO FISHLOW-GANTZ CONVERSATION AT AMBASSADOR'S RESIDENCE JANUARY 28 DURING WHICH U.S. TEAM MEMBERS TOLD QUINTANA THAT DEPARTMENT HAD DISCUSSED SALES PROBLEM WITH CERRO MANAGEMENT AND THAT MR. PRITZKER WAS CONSIDERING OPTION OF PLACING \$5.5 MILLION IN AN ESCROW ACCOUNT IN SWITZERLAND AS AN INDICATION OF COMPANY'S INTEREST IN RESOLVING PROBLEM. QUINTANA EMPHASIZED THAT RUBINA WAS VERY INTERESTED IN THIS SUGGESTION AND THAT MINPECO WOULD APPRECIATE ANY FURTHER INFORMATION DEPARTMENT MAY HAVE RECEIVED FROM CERRO DURING LAST THREE WEEKS ABOUT CERRO'S SUGGESTION. EMBOFF TOLD QUINTANA THAT WE WOULD INFORM MR. FISHLOW OF MINPECO'S INTEREST AND LET QUINTANA KNOW IF THE DEPARTMENT HAS RECEIVED FURTHER INFORMATION WHICH WE COULD PASS TO HIM.

2. QUINTANA ALSO SAID THAT GOP IS WORKING ON OBTAINING PROMULGATION OF DECREE LAW WHICH WOULD PERMIT CIF SALES COMMISSION IN THIRD COUNTRIES. DEPARTMENT WILL RECALL
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THAT PART OF CERRO SALES PROBLEM INVOLVES FACT THAT PERUVIAN

LAW DOES NOT PERMIT PAYMENT OF MORE THAN 2 PERCENT COMMISSION ON FOB PRICE CALLAO WHEREAS CERRO IS SEEKING PAYMENT OF COMMISSIONS ON FINISHED ZINC PRODUCTS PROCESSED IN FINLAND.

3. CONTRARY TO QUINTANA'S GUARDED OPTIMISM ABOUT PROMULGATION DECREE LAW, CARLOS CORREA, CHIEF OF FINANCES AT CENTROMIN, TOLD EMBOFFS EARLIER THIS WEEK THAT DECREE LAW (NOW IN ITS THIRD VERSION) PRESENTLY REPOSES ON HIS DESK AND HE IS NOT SANGUINE THAT THE LAW WILL BE PASSED ANY TIME SOON. CORREA ALSO EXPLAINED THAT CERRO SALES ISSUE INVOLVES THREE SEPARATE ISSUES, TO WIT: FINLAND SALES COMMISSIONS, TOLLING OF ZINC PRODUCTS THROUGH MEXICAN REFINERIES, AND ZINC SALES TO THE JAPANESE. CORREA ALSO SAID THAT ONE MILLION DOLLARS OF THE BLOCKED \$5.5 MILLION BELONGS TO MINPECO, WHILE THE REMAINDER IS DUE TO CENTROMIN. CORREA IS VERY KNOWLEDGEABLE FINANCIAL OFFICER WHO HAS THOROUGH GRASP OF CERRO SALES TANGLE. CORREA IS TRAVELING TO WASHINGTON ON BUSINESS AT THE END OF THIS WEEK AND EMBOFF SUGGESTED TO HIM THAT HE TALK TO DAVID GANTZ NEXT WEEK ABOUT THIS ISSUE. (CORREA WORKED ON GOP'S CERRO DE PASCO COMMISSION PRIOR TO SIGNING OF GREENE ACCORD AND REMEMBERS MEETING MR. GANTZ AT THAT TIME.)
DEAN

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